Indiana Public Retirement System

INPRS
INDIANA PUBLIC RETIREMENT SYSTEM

2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2014

Investment Section

Investment Results – Consolidated Defined Benefit Assets

Investment Results – Annuity Savings Accounts and Legislators' Defined Contribution Plan

STRATEGIC INVESTMENT SOLUTIONS

BARRY W. DENNIS
Chairman & CEO/Managing Director

August 6, 2014

Board of Trustees
Indiana Public Retirement System
One North Capitol Avenue
Indianapolis, IN 46204

Dear Trustees:

Strategic Investment Solutions is pleased to provide you with an overview of the economic environment for the year ended June 30, 2014, how it impacted the Indiana Public Retirement System's investment results, and observations regarding the current investment strategy.

Economic Environment

Despite continued partisanship in Washington, gridlock did not dominate economic and market performance in fiscal 2014. Instead, the focus has been on the pace of the Federal Reserve Bank's tapering of economic stimulus and Mother Nature. The severe and prolonged winter weather disturbed the five year trend of slow and steady growth, although a strong rebound in Q2 re-established the growth trajectory. The Fed has gradually reduced its monthly bond purchases from $85 billion to $25 billion, a measured pace that did not rattle markets.

Around the globe, the major countries and regions are in a coordinated effort to avoid a return to 2008-09 conditions. Japan, combatting multiple problems, including deflation, demographics and an expensive currency, is pursuing a program described as 'Quantitative Easing on Steroids'. Europe is taking a path similar to, but lagging, the U.S. program of massive bond purchasing. The U.K. has been the most austere, but has kept interest rates at minimal levels.

Concerns about stability in the Middle East and surrounding areas increased in 2014. Syria's civil war continues, with hostilities crossing the border into Iraq. The Russian intrusion into Crimea and Eastern Ukraine has resulted in economic sanctions. While each of the above has exerted upward pressure on oil prices, the remarkable expansion of U.S. energy production has generally stabilized oil prices.

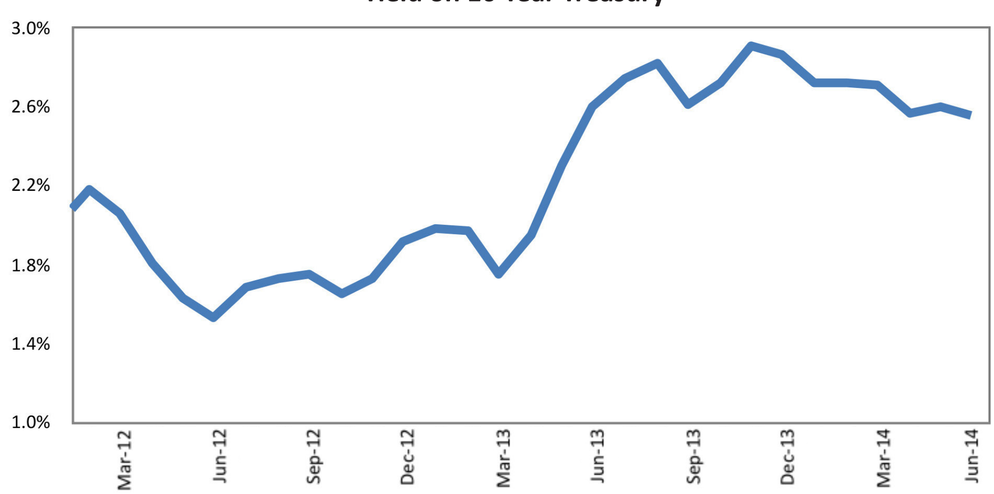
Inflation and inflation expectations remain muted due to continued labor and capacity underutilization. However, increased demand for talent, particularly in the technology sector, is beginning to build wage pressure.

Over the fiscal year, U.S. GDP growth and inflation were as follows:

Annualized Percentage Growth		
	U.S. GDP	U.S. CPI
Third Quarter 2013	4.5%	1.5%
Fourth Quarter 2013	3.5	1.1
First Quarter 2014	(2.1)	1.3
Second Quarter 2014	4.0	2.0
Annual Average	2.5	1.5

The long, hard winter and its economic effect pushed the yield on the 10 Year Treasury Bond from about 3.0% to about 2.5% where it continues to linger. The 'market' however, is expecting rates to rise slowly, with the 12 month forward yield curve showing an increase of approximately 1.0% in 10 year yields.

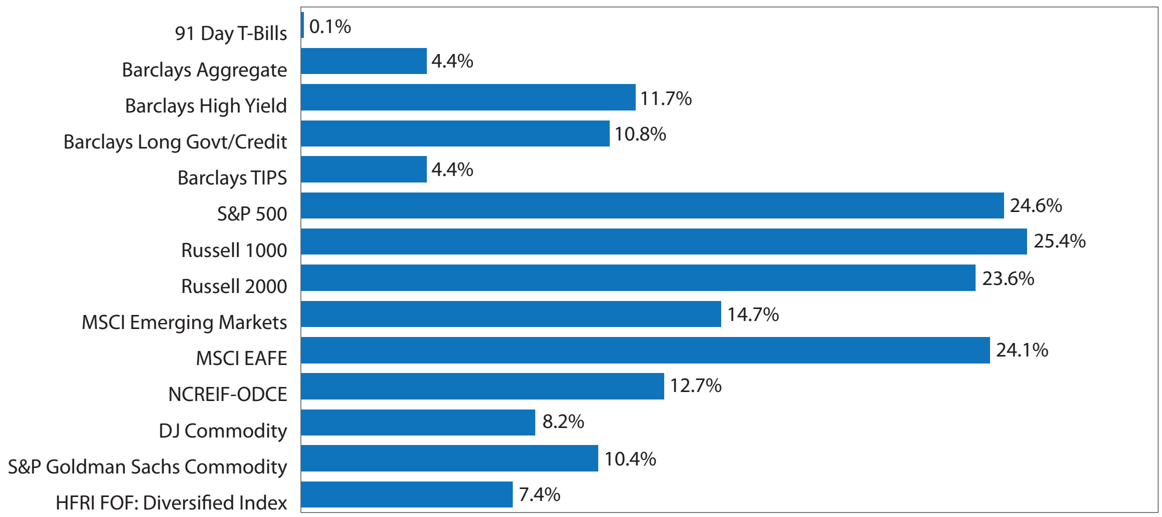
Yield on 10 Year Treasury



Impact on Investments

INPRS' investments are broadly diversified across many asset classes. The returns for indices that are representative of these asset classes can be seen in the chart below.

Key Index Returns for Year Ending June 30, 2014

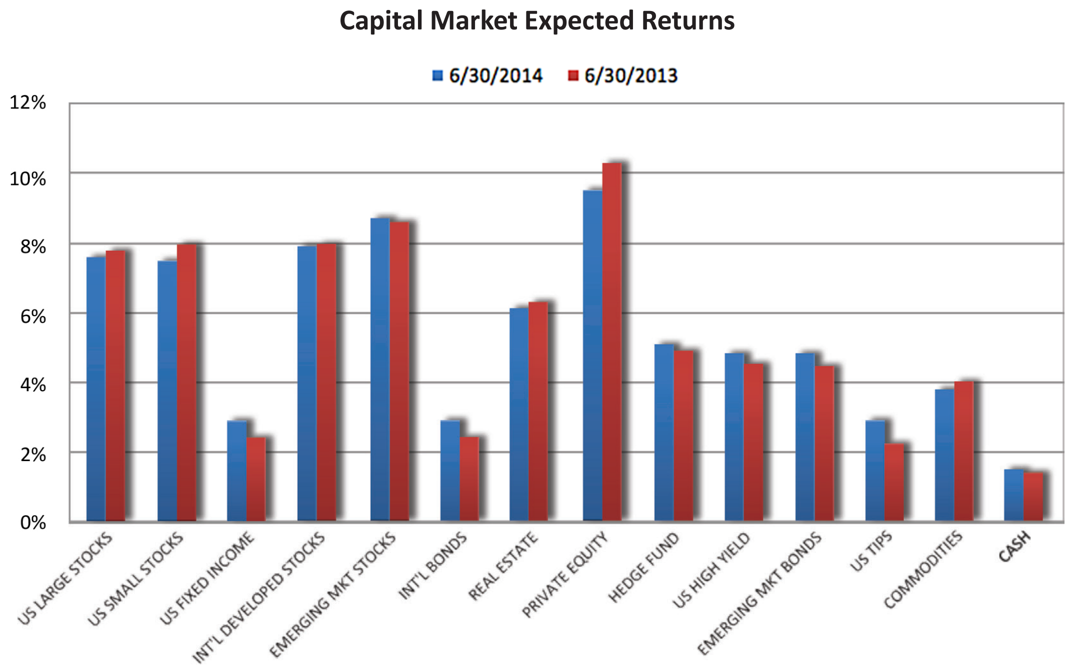


Key Index Returns for Year Ending June 30, 2014

INPRS' investments are broadly diversified in a risk-balanced fashion. Indeed, the Fund's excellent performance in Fiscal 2014 is a result of 'hitting on all cylinders'. The portfolio is constructed to perform well in many types of economic conditions with specific consideration to downside risk. The fact that performance excelled in a 'risk on' year exceeded reasonable expectations.

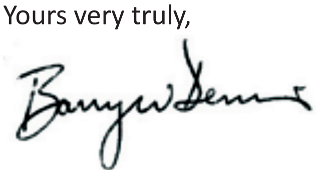
Observations Regarding the Current Investment Strategy

SIS closely monitors all the markets that INPRS is invested in so that estimates can be made relative to the distribution of future long-term results. The estimates can then be integrated into the expectations of the System's future cash demands. These relationships will be revisited via an Asset / Liability Study that will take place early in fiscal year 2015.



SIS's capital market expected return expectations for the various markets have declined slightly from one year ago, a result of slow economic growth coupled with the strong results of the previous year. This puts all asset class return expectations below their long term averages. In an environment where all asset classes appear to be 'priced to perfection', a risk-balanced investment strategy, which INPRS has adopted, is an ideal posture to maximize the probability of meeting the System's actuarial requirements in the intermediate future.

Yours very truly,



Barry Dennis
bwd@sis-sf.com

INPRS' Investment Imperatives[1]

There are three long-term imperatives that are vital for the continued health of the System. Every tactical and strategic decision that is made must have the expectation of positively contributing to our imperatives.

1. **Achieve the long term rate of return assumption.** Effective fiscal year 2013 the long-term rate of return assumption, set by INPRS Board, is 6.75%. In order for INPRS' Funds to maintain a healthy funded status, it is essential to achieve this rate of return over a long-term period.

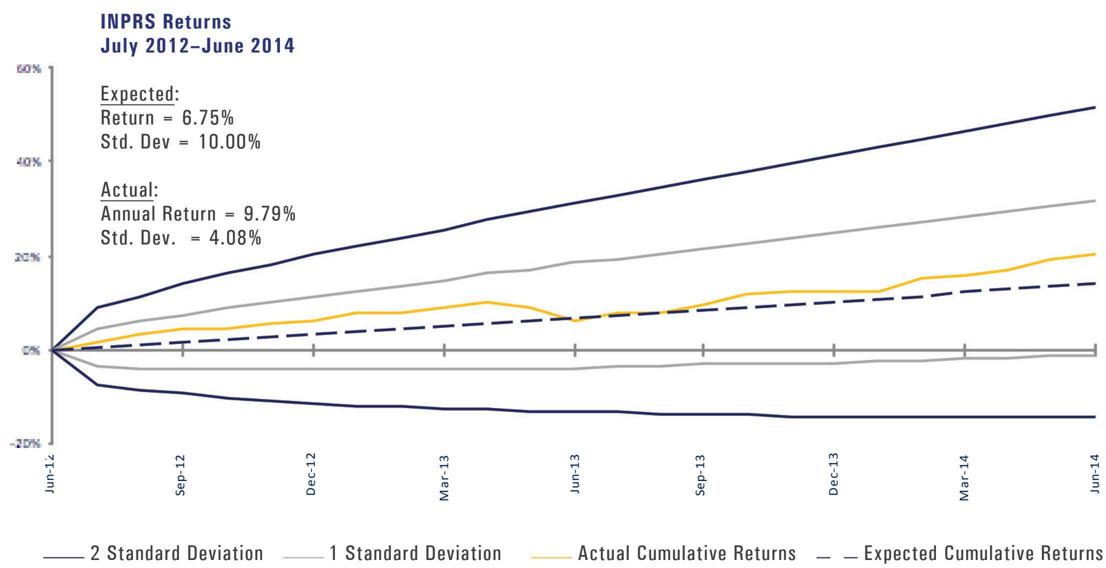
2. **Accomplish the first goal as effectively and efficiently as possible.** Recognizing that not only is it important to return 6.75%, or the long term rate of return, annually; but as fiduciaries, just as important, is the need to accomplish this by focusing on return per unit of risk, diversification, and cost efficiency.

3. **Have sufficient liquidity on hand to pay beneficiaries.** INPRS is fortunate to have a highly liquid portfolio. The current liquidity profile is more than sufficient to match the beneficiary payment requirements of the System. Nevertheless, this is an imperative on which we will continue to focus.

Year in Review[2]

Fiscal year 2014 was a successful year on many fronts. Regarding the imperatives above, INPRS achieved performance of 13.73% net of all fees, which is over twice the long-term rate of return assumption of 6.75%. The return brought the DB assets to an all-time high level of $24.6 billion. Since reaching the most recent target asset allocation June 30, 2012, INPRS has experienced a cumulative return of 20.5% versus a long-term rate of return target equivalent of 14.0%. The following chart shows the path of that cumulative return over the past two years as well as the range of outcomes that were possible given the projected volatility of INPRS' portfolio.

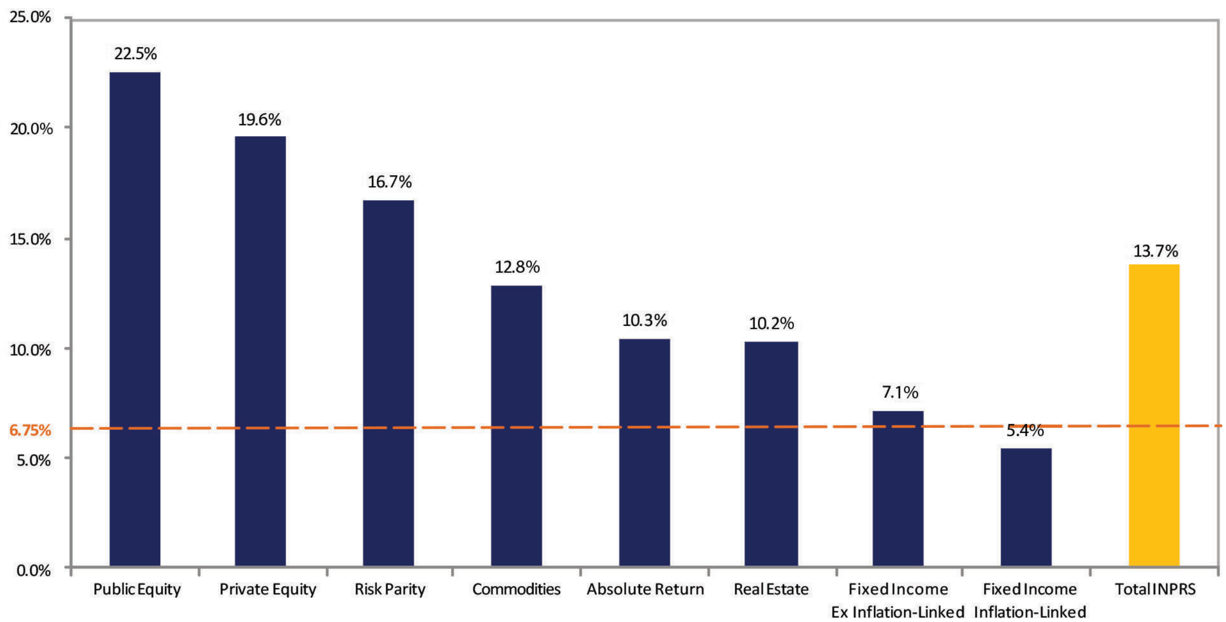
INPRS Net of Fees Cumulative Returns



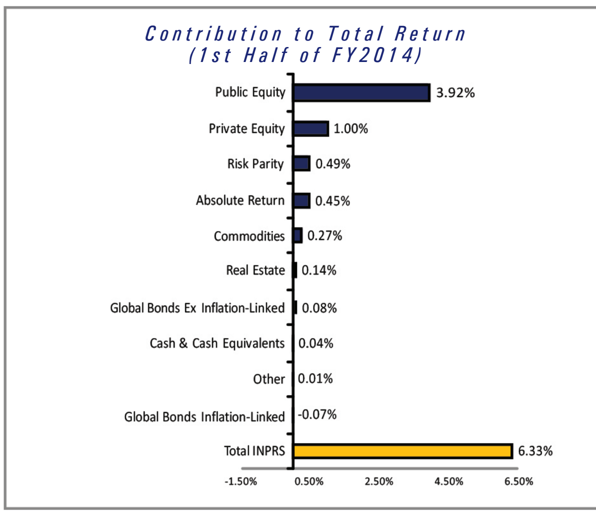
[1]*For more details, see the INPRS Investment Policy Statement, Section 4 – Guiding Principles.*
[2]*Rates of return are based on calculations made by the System's custodian, Bank of New York Mellon, and are presented using a time-weighted rate of return methodology based upon market value.*

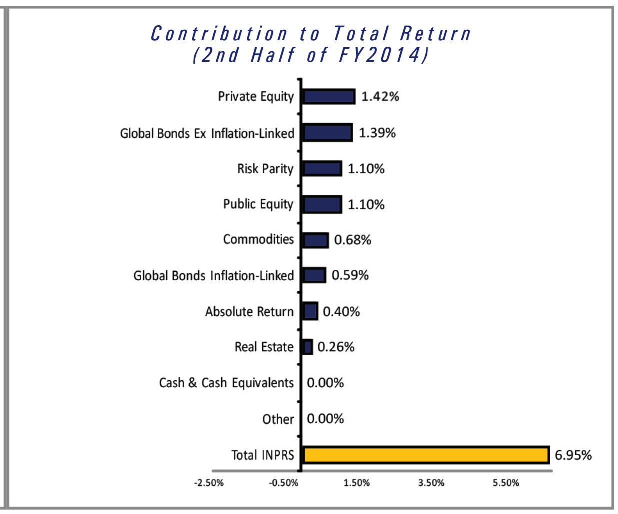
Every asset class contributed positive returns this fiscal year.

INPRS Fiscal Year 2014 Net of Fees Total Return



Interestingly, the contribution to performance was derived in different ways in the first and second half of the year, despite similar total returns.



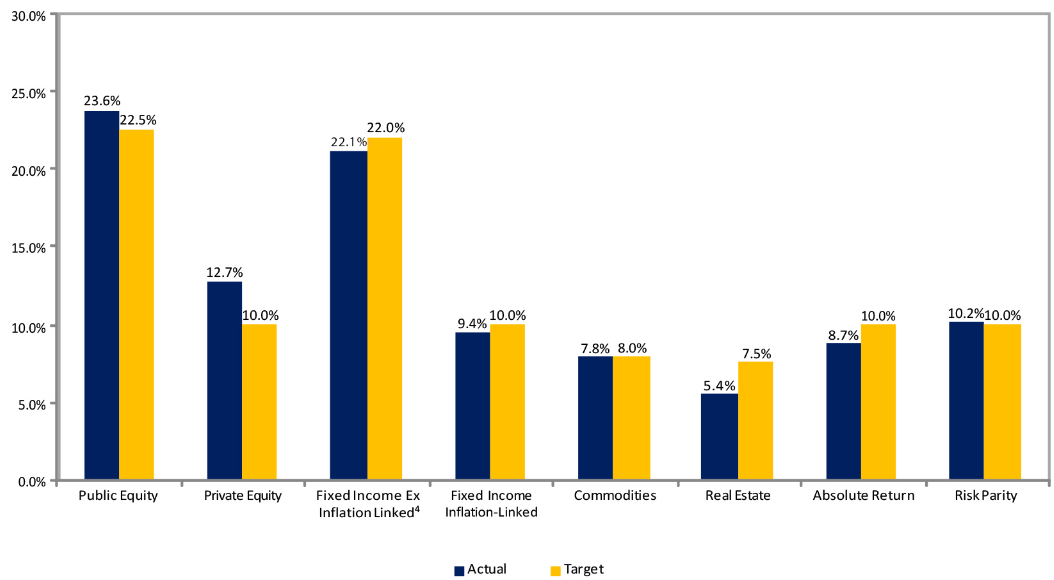


In the first half of the fiscal year, equities were once again the top performer as the low volatility environment that prevailed for many asset classes in fiscal year 2013 continued early in fiscal year 2014, especially for those that tend to benefit from rising growth. However, macro concerns were prevalent across the globe in Q1 of fiscal year 2014, including conflicts in the Ukraine and possibilities of slower growth than expected in the U.S. With a bias toward slower growth environments, global bonds were the top performer in the second half of the year (despite skepticism toward fixed income investments by many market participants at the start of 2014).[3] At INPRS, we believe making accurate predictions on asset class returns and the timing of those returns is a difficult endeavor, and fiscal year 2014 merely strengthened our belief in maintaining a diversified portfolio despite the popularity of certain market calls.

INPRS was able to successfully achieve this year's return in an effective and efficient manner (second imperative). Over long periods of time, INPRS expects to achieve a Sharpe Ratio (a measure of return in excess of a risk free rate divided by volatility) of 0.50. This year, INPRS experienced a Sharpe Ratio of 3.97, a result that showed the benefits of holding uncorrelated assets but was abnormally high primarily due to the historically low volatility across all asset classes.

As mentioned above, a large part of effectiveness and efficiency is a result of diversification. INPRS became more diversified than it has ever been as it moved closer to the target allocations as seen below.

INPRS Asset Allocation
As of June 30, 2014



INPRS was also able to produce a return that was 0.62% (62 bps) above its dynamic benchmark, net of all fees. Active management in the Fixed Income Ex Inflation-Linked, Fixed Income Inflation-Linked, and Commodities portfolios all contributed positively to the excess return. The Public Equity portfolio was a detractor on a relative basis.

Regarding the third imperative of liquidity, INPRS continues to hold a portfolio that is positioned to provide adequate liquidity. As of June 30, 2014 there were $4.5 billion identified as primary liquidity sources with investments in Money Market Sweep Vehicles and US Government and Agency Securities and another $1.5 billion invested in highly liquid assets such as Large Cap Domestic Equities. These assets represented 24.2% of the total consolidated defined benefit assets.

[3]Although displayed as the highest contribution to return in the graph, the Private Equity performance in the 2nd half of FY2014 reflects returns that are lagged one quarter due to the timing of valuations.

[4]Fixed Income assets only, exclusive of cash.

In summary, it was a strong year for INPRS and progress was made toward each of our three imperatives. A diversified portfolio, strong markets with little volatility, and successful active management along with a stable liquidity profile made for a successful year.

Sincerely,

David C. Cooper
Chief Investment Officer

Outline of Investment Policies

The Indiana Public Retirement System's ("INPRS") Board of Trustees ("Board") serves as the ultimate fiduciary of INPRS. Indiana Code, Article 5-10.5 provides that a nine-member Board of Trustees will oversee INPRS. The nine trustees shall be appointed by the Governor, four of whom must be members of the INPRS. The INPRS Board of Trustees appoints the executive director of INPRS.

The Board establishes investment policies; however, Indiana law establishes guidelines on the investment of the Fund's assets. At all times, INPRS must invest its assets in accordance with the "Prudent Investor" standard. Under this standard, investment decisions are based upon the same degree of care that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a similar character with similar aims.

The objective of the Board's Investment Policy Statement ("IPS") is to maintain adequate funding for each retirement fund and pension system in order to provide for the payment of such fund's actuarially determined liabilities over time in a cost-effective manner. The purpose of the IPS is to support this general objective by:

- Setting forth the investment policies which the Board judges to be appropriate and prudent, in consideration of the needs and legal requirements applicable to direct investment of the assets;
- Making a clear distinction between the roles and responsibilities of the Board, Staff, and each Service Provider;
- Establishing formalized criteria to measure, monitor and evaluate the performance results of the Investment Managers;
- Communicating the investment policies, objectives, guidelines, and performance criteria of the Board to the Staff, Investment Managers, Consultants, Service Providers, employers, members and all other interested parties; and
- Serving as a review document to guide the ongoing oversight of the investments by the System and demonstrating that the Board is fulfilling its fiduciary responsibilities in the administration and management of each Retirement Fund's assets solely in the interests of such Retirement Fund's members and beneficiaries.

The Board intends for the IPS to be a dynamic document, and, as such, expects to conduct periodic reviews utilizing input from INPRS staff, consultants and other knowledgeable parties. The Board anticipates approving changes from time to time to reflect changes in any or all of: economic and market conditions, investment opportunities, the System's investment strategy, benefit provisions, and the INPRS' governance.

The Board recognizes that the allocation of assets is the most important determinant of investment rates of returns over long periods of time. The procedure for determining the allocation will consider the relevant characteristics of the liabilities and the potential assets of the Fund. An asset liability study will be conducted no less than every three years and will analyze the expected returns of various asset classes, projected liabilities, risks associated with alternative asset mix strategies and their effect on the projected market value of assets, funded status, and contributions to the System.

The investment portfolio includes long-term commitments to the following asset classes: public equity, private equity, fixed income – ex. inflation-linked, fixed income – inflation-linked, commodities, real estate, absolute return, and risk parity. The current asset allocation, approved by the Board on October 28, 2011 is as follows:

INPRS Asset Allocation:	Target Allocation	Target Range	Benchmark
Public Equity	22.5%	+/- 2.5%	MSCI All Country World
Private Equity	10.0%	+/- 3.0%	Russell 3000 + 300bps
Fixed Income – Ex Inflation-Linked	22.0%	+/- 3.0%	Barclays Global Aggregate (USDH)
Fixed Income – Inflation-Linked	10.0%	+/- 3.0%	Custom Benchmark
Commodities	8.0%	+/- 2.0%	Custom Benchmark
Real Estate	7.5%	+/- 3.5%	NCREIF NFI-ODCE
Absolute Return	10.0%	+/- 4.0%	HFRI Fund of Funds Composite
Risk Parity	10.0%	+/- 5.0%	Custom Benchmark

The Board employs investment managers to implement the asset allocation through a selective and thorough search process that embodies the principles of procedural due diligence. It is the intent of the Board to encourage the participation of all qualified organizations in this process. The Board encourages investment managers to develop long-term investment strategies consistent with the guidelines outlined in the IPS, as well as governing Indiana statutes. Additionally, investment managers will adhere to and comply with the CFA Institute Global Investment Performance Standards in calculating and reporting investment performance. Performance of each manager is measured against the rate of return associated with appropriate market index benchmarks and an appropriate universe or style peer group of investment managers.

Annuity Savings Accounts (ASA) are accounts established for each member of the Plans. A member's account is credited with the legislated 3% mandatory contribution (either paid by the member or "picked-up" by the employer). The member has investment direction to several alternative funds or may direct contributions to the Guaranteed Fund. The ASA produces an additional separate benefit from the fixed-formula employer funded pension benefit to the member. The ASA investment options currently include:

1. Large Cap Equity Index Fund;
2. Small/Mid Cap Equity Fund;
3. International Equity Fund;
4. Fixed Income Fund;
5. Inflation Linked Fixed Income Fund;
6. Target-Date Retirement Funds;
7. Money Market Fund;
8. Stable Value Fund (PERF ASA Only & Legislators' Plan only);
9. Consolidated Retirement Fund (Legislators' Plan only);
10. Guaranteed Fund

The Guaranteed Fund provides a guarantee of the value of an individual's contributions plus any interest credited. The INPRS Board of Trustees annually establishes the interest crediting rate for the Guaranteed Fund based on a uniform methodology. The interest crediting rate for the Guaranteed Fund during the last 10 years is included in the Investment Highlights of this section.

The number and types of investment funds offered will be periodically reviewed by the Board in order to ensure diversity of investment alternatives, adequate and reasonable availability of investment types, and clarity and usefulness of the investment choices. ASA performance data is included in the Investment Highlights of this section.

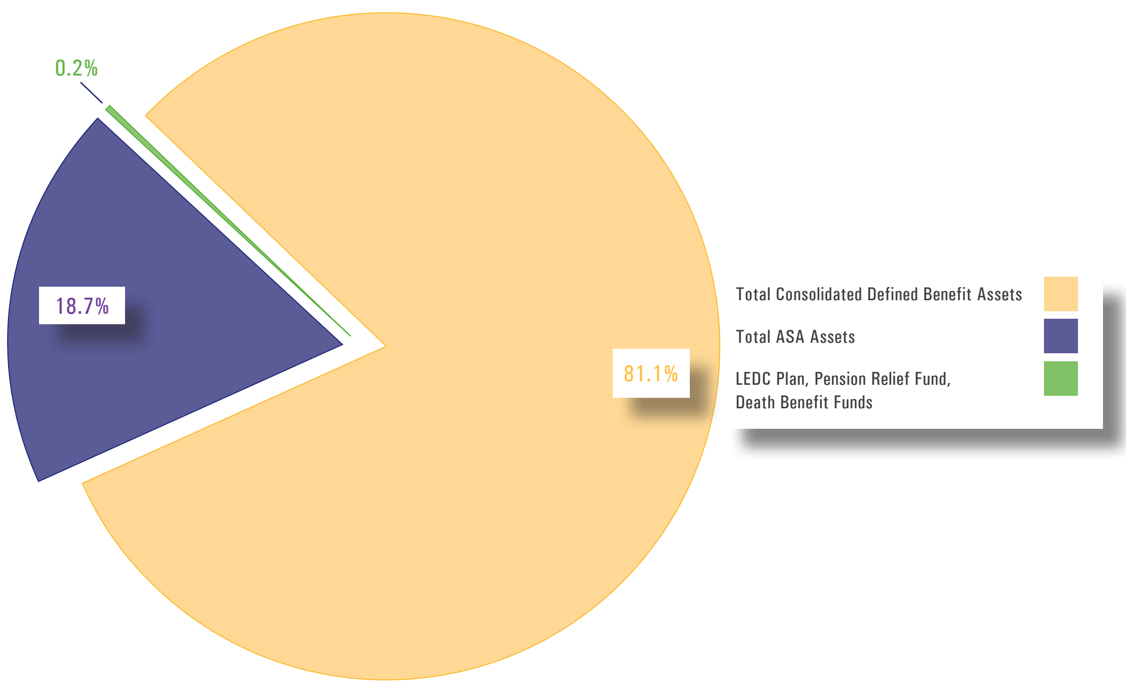
Fund Fact Sheets for the aforementioned ASA investment options, are available online at: http://www.in.gov/inprs/fundfactsheets.htm.

Investment Summary
Fiscal Year Ended June 30, 2014

(dollars in millions)

	Actual Assets	Percent
Consolidated Defined Benefit Assets:		
Defined Benefit Retirement Plans' Assets	$ 24,550.7	81.1%
Legislators' Defined Contribution Plan (LEDC Plan)[1]	9.6	-
Total Consolidated Defined Benefit Assets	24,560.3	81.1
Annuity Savings Accounts (ASA) Assets[2]:		
Public Employees' Retirement Fund (PERF)	2,832.5	9.3
Teachers' Retirement Fund Pre-1996 Account (TRF Pre-1996)	1,718.9	5.7
Teachers' Retirement Fund 1996 Account (TRF 1996)	1,119.6	3.7
Total Annuity Savings Accounts Assets	5,671.0	18.7
Legislators' Defined Contribution Plan[3]	18.6	0.1
Pension Relief Fund[4]	15.9	0.1
Death Benefit Funds[5]	13.0	–
Total Investments[6]	**$ 30,278.8**	**100.0%**

[1]Assets represent members of the LEDC Plan who have elected the Consolidated Defined Benefit Assets option.
[2]ASA assets are directed by PERF, TRF Pre-1996 and TRF 1996 members outside the Consolidated Defined Benefit Assets.
[3]Account balances directed outside the Legislators' Consolidated Defined Benefit Assets option.
[4]Assets are invested in a Money Market Fund with Bank of New York Mellon.
[5]Includes State Employees' Death Benefit Fund and Public Safety Officers' Special Death Benefit Fund.
[6]Includes Investment and Foreign Exchange Contracts Receivables, Interest and Dividends Receivable, Securities Lending Collateral, Investments and Foreign Exchange Contracts Payable, Securities Lending Obligations, and Obligations Under Reverse Repurchase Agreements.

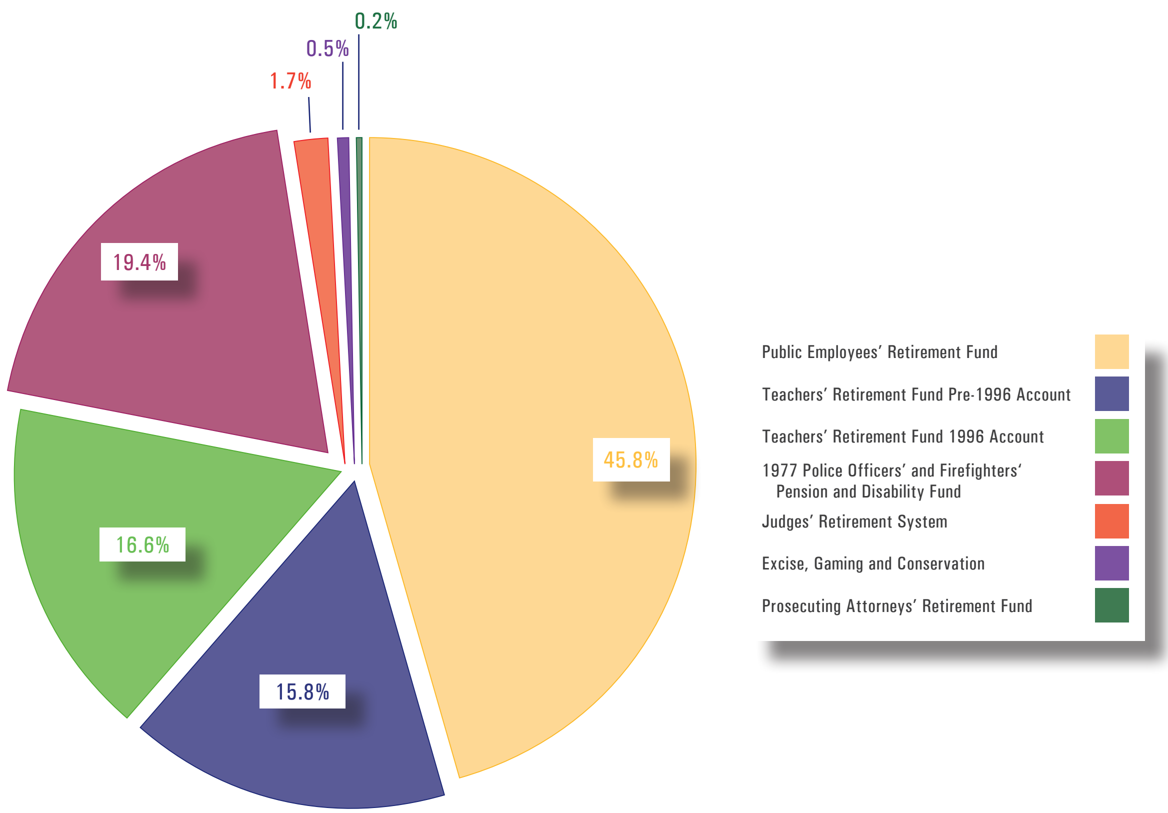


Retirement Plans in Consolidated Defined Benefit Assets Fiscal Year Ended June 30, 2014

(dollars in millions)

Retirement Plan	Amount	Percent
Public Employees' Retirement Fund	$ 11,256.3	45.8%
Teachers' Retirement Fund Pre-1996 Account	3,867.8	15.8
Teachers' Retirement Fund 1996 Account	4,072.5	16.6
1977 Police Officers' and Firefighters' Pension and Disability Fund	4,756.3	19.4
Judges' Retirement System	429.1	1.7
State Excise Police, Gaming Agent, Gaming Control Officer, and		
Conservation Enforcement Officers' Retirement Plan	110.8	0.5
Prosecuting Attorneys' Retirement Fund	54.4	0.2
Legislators' Retirement System – Defined Benefit Plan	3.5	–
Legislators' Retirement System – Defined Contribution Plan	9.6	–
Total Consolidated Defined Benefit Assets[1]	**$ 24,560.3**	**100.0%**

[1]Includes Investment and Foreign Exchange Contracts Receivables, Interest and Dividends Receivable, Securities Lending Collateral, Investments and Foreign Exchange Contracts Payable, Securities Lending Obligations, and Obligations Under Reverse Repurchase Agreements.



Asset Allocation Summary
June 30, 2014 Actual vs. June 30, 2013 Actual

(dollars in millions)

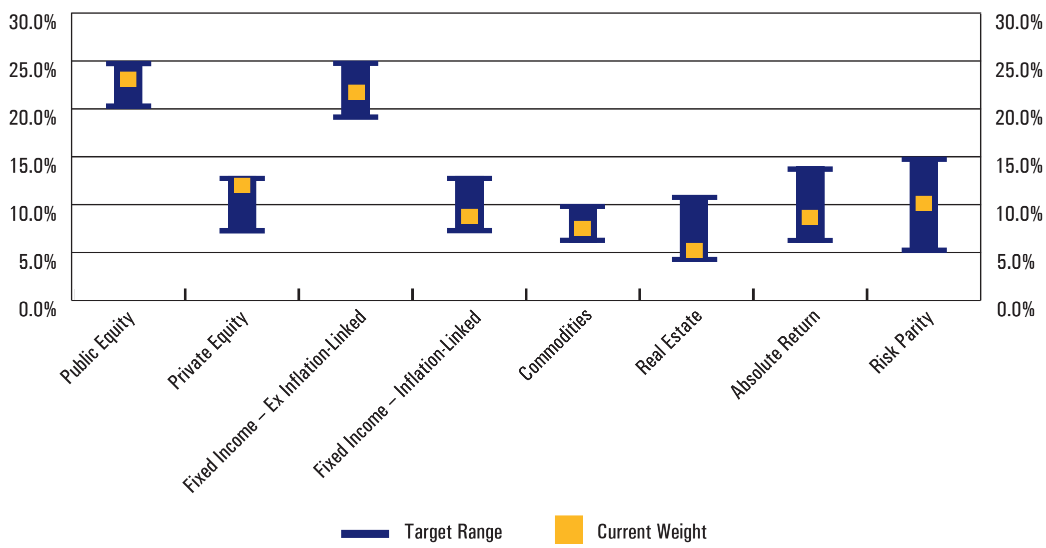
Asset Class	June 30, 2014 Amount	June 30, 2014 Percent	June 30, 2013 Amount	June 30, 2013 Percent
Public Equity	$ 5,807.2	23.6%	$ 5,205.9	24.2%
Private Equity	3,107.2	12.7	2,793.3	13.0
Fixed Income – Ex Inflation-Linked[1]	5,459.3	22.2	4,735.2	22.0
Fixed Income – Inflation-Linked	2,308.4	9.4	2,144.4	10.0
Commodities	1,913.4	7.8	1,553.6	7.3
Real Estate	1,338.0	5.4	1,146.0	5.3
Absolute Return	2,130.4	8.7	1,848.2	8.6
Risk Parity	2,496.4	10.2	2,062.1	9.6
Total Consolidated Defined Benefit Assets[2]	**$ 24,560.3**	**100.0%**	**$ 21,488.7**	**100.0%**

[1]Includes Cash & Cash Equivalents
[2]Amounts disclosed above will agree to the Pooled Unit Trust Investments in the Financial Section in Note 2 (H) Summary of Significant Accounting Policies. The amounts disclosed above are shown by investment strategy and will differ from the Statement of Net Position and the Summary of Investments Held in the Financial Section Note 3 (D) Cash and Investments, due to the investment strategy disclosure being related to a systematic plan to achieve returns and diversification and the Summary of Investments Held disclosure summarized by 1) the legal structure of the investments and 2) excluding investment receivables and payables and other amounts such as Investment and Foreign Exchange Contracts Receivable, Interest and Dividend Receivables, Securities Lending Collateral, Investment and Foreign Exchange Contracts Payable, Securities Lending Obligations, and Obligations Under Reverse Repurchase Agreements.

Asset Allocation Summary
June 30, 2014 Actual vs. Target

Asset Class	June 30, 2014 Actual	Target	Allowable Range for Investments
Public Equity	23.6%	22.5%	20.0 to 25.0%
Private Equity	12.7	10.0	7.0 to 13.0
Fixed Income – Ex Inflation-Linked[1]	22.2	22.0	19.0 to 25.0
Fixed Income – Inflation-Linked	9.4	10.0	7.0 to 13.0
Commodities	7.8	8.0	6.0 to 10.0
Real Estate	5.4	7.5	4.0 to 11.0
Absolute Return	8.7	10.0	6.0 to 14.0
Risk Parity	10.2	10.0	5.0 to 15.0
Total Consolidated Defined Benefit Assets	**100.0%**	**100.0%**	

[1]Includes Cash & Cash Equivalents



NOTE: Fixed Income – Ex Inflation-Linked is shown exclusive of cash and cash equivalents.

Annualized Time-Weighted Rate of Return by Asset Class vs. Benchmark Returns Fiscal Year Ended June 30, 2014 (percent return)[1]

	1-Year[2]			
Asset Class	Actual Return	Benchmark Return	Actual Over / (Under) Benchmark (Pct. Points)	Benchmark
Public Equity	22.5%	23.4%	(0.9)	MSCI All Country World IMI Index (MSCI ACWI)
Private Equity	19.6	28.2	(8.6)	Russell 3000 Index Plus 300 Basis Points
Fixed Income - Ex Inflation-Linked	7.1	5.2	1.9	Barclays Global Aggregate Index (USDH)
Fixed Income - Inflation-Linked	5.4	4.7	0.7	Custom Benchmark[3]
Commodities	12.8	11.9	0.9	Custom Benchmark[4]
Real Estate	10.2	12.7	(2.5)	NCREIF Open End Diversified Core Equity Index
Absolute Return	10.3	6.4	3.9	HFRI Fund of Funds Composite Index
Risk Parity	16.7	15.9	0.8	Custom Benchmark[5]
Total Consolidated Defined Benefit Assets	**13.7%**	**13.1%**	**0.6**	**Custom Benchmark**

[1]Net of fees.
[2]Based on calculations made by the System's custodian, Bank of New York Mellon. Time-weighted rates of return have been reported for fiscal year 2014.
[3]Global Inflation 70/30
[4]50% Bloomberg Commodity Index / 50% Goldman Sachs Commodity Index and a collateral component is a 75/25 blend of Global Inflation Linked Bonds (ILBs) and 90-day Treasury Bills respectively.
[5]60% MSCI ACWI IMI Index (Equities) / 40% Barclays Global Aggregate Bond Index (Bonds)

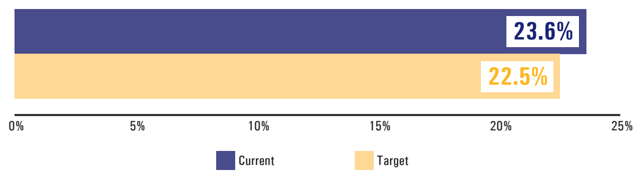
Asset Class Summary: Public Equity

Market Value as of 06/30/14	INPRS 1-Year Net Performance[1]	MSCI All Country World IMI Index 1-Year Performance
$5,807.2 Million	22.5%	23.4%

Portfolio Objective

The Public Equity portfolio seeks to provide long-term capital appreciation and income through exposure to public equity securities. INPRS uses a variety of external managers to create a globally diversified portfolio within the asset class. Historically, public equities have performed well in environments when actual economic growth came in higher than expectations and/or when actual inflation came in lower than expectations.

INPRS Allocation



Performance Attribution

Although the Public Equity portfolio had a great year in terms of absolute performance returning 22.5 percent, it slightly underperformed its benchmark over the past year as the outperformance from an overweight to domestic equities was offset by the underperformance of the active managers in the portfolio.

Market Overview

Over the past year, global equities, as represented by the MSCI All Country World IMI Index, were up 23.4 percent. Equity markets had another great twelve-month period as central banks around the world continued to supply liquidity and economic fundamentals in the U.S. improved. The theme for the fiscal year was higher highs and higher lows for equities. Based on the Russell 3000 Index, domestic equities were up 25.2 percent over the fiscal year. International equities were up 22.3 percent based on the MSCI ACWI ex US IMI Index.

For the first quarter of the fiscal year, global equities were up 8.3 percent. Global equity markets displayed higher volatility as investors were concerned about the Federal Reserve's tapering schedule. However, investors shook off the uncertainty and equities continued to climb as valuation multiples expanded and supportive monetary policy continued globally.

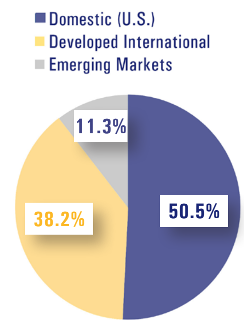
In the second quarter, global equities were up 7.3 percent, despite political challenges over fiscal policy in the U.S. and economic pressures in many regions of the world. Another strong quarter for global equities resulted in a 23.6 percent gain for calendar year 2013. As the current bull market approached its fifth anniversary, the outlook for global equities, especially U.S. equities, remained a key consideration for investors.

In the third quarter, global equities were up 1.3 percent. After a strong 2013, the new year started with a rough month: unexpected softness in the U.S. economy (partially due to a bad winter), geopolitical concerns in Ukraine, and a slowdown in China's growth. Investors took a more cautious approach toward equities in the third quarter, but the global index still managed to finish in positive territory.

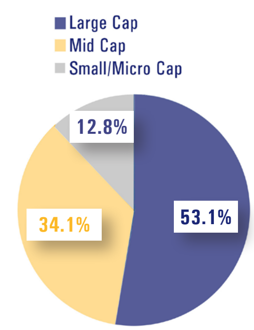
In the fourth quarter, global equities were up 4.8 percent. Better economic growth and accelerating M&A activities supported the market advance despite a number of continued geopolitical risks in Iraq, Argentina, Ukraine, and China.

Portfolio Structure

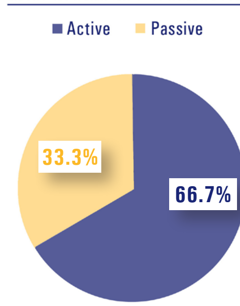
REGIONAL EXPOSURE



MARKET CAP EXPOSURE



INVESTMENT STRATEGY



[1]*Investment performance is based on calculations made by the system's custodian, BNY Mellon, and are time-weighted rates of return.*

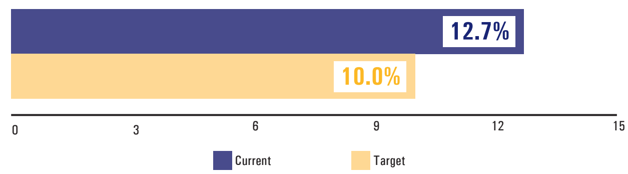
Asset Class Summary: Private Equity

Market Value as of 06/30/2014	INPRS 1-Year[1] Net Performance	Custom Benchmark[2] 1-Year Performance
$3,107.2 Million	19.6%	28.2%

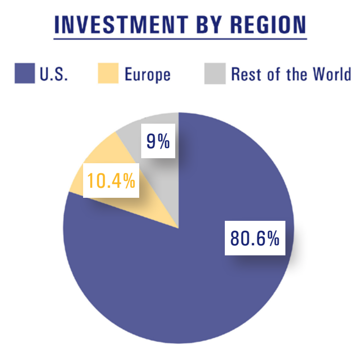
Portfolio Objective

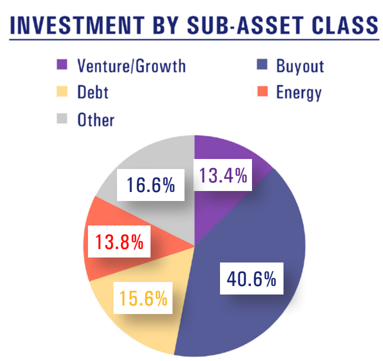
The Private Equity portfolio seeks to provide risk adjusted returns in excess of the public equity markets while simultaneously decreasing the volatility of the investment portfolio through diversification. The Private Equity portfolio is invested in the following sub-asset classes: venture and growth capital, buyout, energy, and debt related strategies.

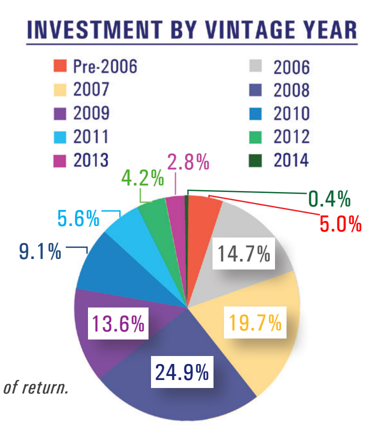
INPRS Allocation



Portfolio Structure







Performance Attribution

With the performance of the public markets, including a strong IPO market, it is no surprise that the Private Equity portfolio has seen strong returns from its buyout and late-stage venture funds. Late-stage venture capital led the way returning 20.8 percent inception to date. In the buyout category, domestic middle market buyout funds were at the head of the pack generating a 19.1 percent inception to date return. Large buyout and small buyout funds also performed well generating 15.1 percent and 15.0 percent, respectively, inception to date returns. In addition to the strong performance in buyouts and late stage venture capital, the private equity portfolio's energy funds have returned 19.8 percent since inception.

The continued strength in the public equity markets coupled with favorable credit markets resulted in a continuation of last year's supportive exit environment for private equity. INPRS continued to benefit from this, receiving positive net cash flows of $210.3 million from the private equity portfolio. Distributions during the fiscal year totaled $639.9 million and contributions totaled $429.8 million.

Portfolio Overview

The Private Equity portfolio returned 19.6 percent for the fiscal year, which proved to be accretive to the overall INPRS long-term rate of return assumption by 12.6 percent. While the Private Equity portfolio's fiscal year return lagged its benchmark return of 28.2 percent, given that the Private Equity portfolio is diversified across venture and growth capital, buyouts, credit related strategies, and energy investments it will not generally track the Russell 3000 with consistency, particularly when the benchmark exhibits extreme upside or downside performance as was seen in fiscal year 2014.

In fiscal year 2014, INPRS invested capital with eight existing managers across ten funds, totaling $575 million of new commitments. Commitments ranged in size from $40 million to $75 million and were made to managers in the buyout, growth, energy, debt, and special situations sub-asset classes.

[1]*Investment performance is based on calculations made by the system's custodian, BNY Mellon, and are time-weighted rates of return.*
[2]*Custom Benchmark is the Russell 3000 Index plus 300 basis points.*

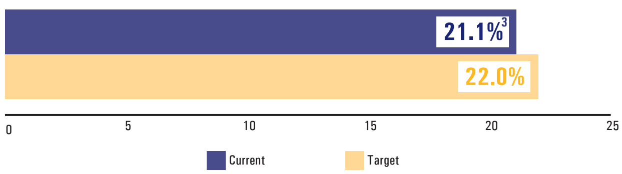
Asset Class Summary: Fixed Income – Ex Inflation-Linked

Market Value as of 6/30/2014[1]	INPRS 1-Year Net Performance[2]	Barclays Capital Global Aggregate Index 1-Year Performance
$5,459.3 Million	7.1%	5.2%

Portfolio Objective

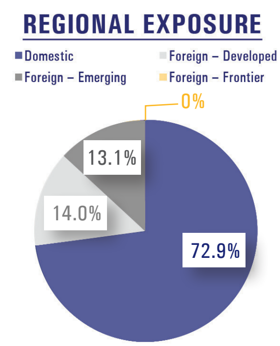
The Fixed Income portfolio seeks to generate current income and long-term risk-adjusted return in excess of the Barclays Capital Global Aggregate Index ("Benchmark") through investment in debt securities. A focus is placed on preservation of capital. To minimize the probability of substantial principal loss over the investment horizon, the objective is to reduce portfolio volatility first and foremost while expecting to enhance portfolio returns.

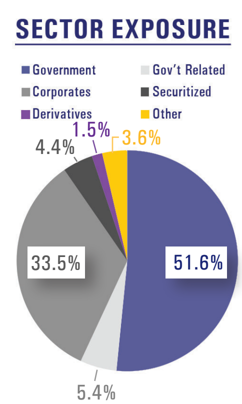
INPRS Allocation



Portfolio Overview

	INPRS	Benchmark
Duration to worst:	8.2 yrs	6.3 yrs
Yield to worst:	2.5%	1.7%
Credit quality:	A1 / A	Aa3 / AA-





Performance Attribution

For fiscal year 2014, INPRS Fixed Income portfolio returned 7.1 percent, outperforming its benchmark by 1.9 percent. The portfolio's overweight to longer duration government bonds and emerging markets debt were the main contributors to outperformance.

Market Overview

Fiscal year 2014 was a year of cautious optimism. Positive market sentiment fueled by the prospect of a sustained U.S. economic recovery was literally chilled by a harsh winter. Lackluster economic growth in Europe and geopolitical tension in the Middle East and Eastern Europe prompted global central banks to maintain their accommodative monetary policy and investors to be cautious.

For the first quarter, expectation of reduction in the Federal Reserve's (Fed) asset purchase program disrupted fixed income markets in the U.S. and emerging countries early. As mixed U.S. economic data and the uncertain U.S. fiscal policy landscape led the Fed to delay taking action, fixed income markets in the aforementioned regions rallied late in the quarter. INPRS Fixed Income portfolio returned 0.1 percent for the quarter; with an overweight to longer duration government bonds as the main detractors.

For the second quarter, albeit a 16-day shutdown of the U.S. Government due to political gridlock in Washington, encouraging U.S. economic data led the Fed to announce its intention to begin reducing its asset purchase program in January 2014. In both Europe and Japan, economic data showed signs of growth and stabilization. INPRS fixed income portfolio returned 0.3 percent for the quarter; with an overweight to the corporate sector as the main contributor.

For the third quarter, an uncharacteristically frigid winter that impacted the U.S. economy, weaker economic data in China, and geopolitical tension in the Middle East and Eastern Europe contributed to a bid for safe-haven assets. INPRS Fixed Income portfolio returned 3.5 percent for the quarter; being overweight to longer duration government bonds was the main contributor to performance.

For the fourth quarter, with a worse than expected impact the harsh winter had on the U.S. economy, deflationary concern in Europe, challenging growth outlook in China, and continued geopolitical tension in the Middle East and Eastern Europe prompted the Fed to remain accommodative with its monetary policy and the European Central Bank to implement new stimulus, including a historic negative rate on deposits. INPRS Fixed Income portfolio returned 3.1 percent for the quarter; being overweight to longer duration government bonds and emerging markets debt were the main contributors to performance.

[1]Market Value includes Cash.
[2]Investment performance is based on calculations made by the system's custodian, BNY Mellon, and are time-weighted rates of return.
[3]Represents Fixed Income assets only, exclusive of cash.

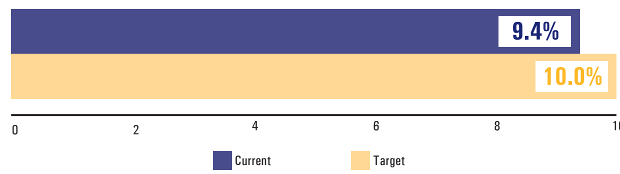
Asset Class Summary: Fixed Income – Inflation-Linked

Market Value as of 6/30/2014	INPRS 1-Year Net Performance[1]	Custom Benchmark[2] 1-Year Performance
$2,308.4 Million	5.4%	4.7%

Portfolio Objective

The Global Inflation-Linked Bonds ("ILBs") portfolio seeks to generate long-term risk-adjusted return in excess of the custom global inflation index ("Benchmark"), comprised of 70 percent Barclays Capital U.S. Treasury Inflation Protected Securities (TIPS) Index and 30 percent Barclays Capital Global Inflation-Linked Bond Index, through investment in inflation-linked securities as well as provide protection against unanticipated inflation.

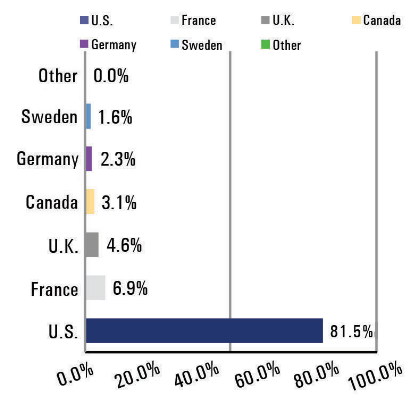
INPRS Allocation



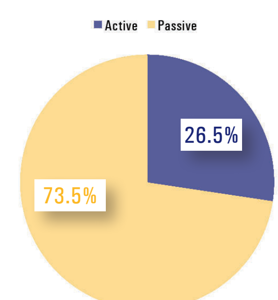
Portfolio Overview

	INPRS	Benchmark
Duration to worst:	9.2 yrs	9.7 yrs
Yield to worst:	2.0%	2.1%
Credit quality:	Aaa / AA+	Aaa / AA+

COUNTRY EXPOSURE



MANAGEMENT STYLE



Performance Attribution

For fiscal year 2014, INPRS Global ILBs portfolio returned 5.4 percent, outperforming its benchmark by 0.7 percentage points. The portfolio's overweight to longer duration U.S. TIPS was the main contributor to performance.

Market Overview

Fiscal year 2014 was a year of cautious optimism. Positive market sentiment fueled by the prospect of a sustained U.S. economic recovery was literally chilled by a harsh winter. Lackluster economic growth in Europe and geopolitical tension in the Middle East and Eastern Europe prompted global central banks to maintain their accommodative monetary policy and investors to be cautious.

For the first quarter, expectation of a reduction in the Federal Reserve's (Fed) asset purchase program rattled fixed income markets in the U.S. and emerging countries. With mixed U.S. economic data and the uncertain U.S. fiscal policy landscape, the Fed delayed taking action and fixed income markets in the aforementioned regions rallied late in the quarter. Real yields in developed countries fell 0.1 percent. INPRS Global ILBs portfolio returned 1.1 percent for the quarter; an overweight to longer duration U.S. TIPS was the main contributor.

For the second quarter, albeit a 16-day shutdown of the U.S. Government due to political gridlock in Washington, encouraging U.S. economic data led the Fed to announce its intention to begin reducing its asset purchase program in January 2014. In both Europe and Japan, economic data showed signs of growth and stabilization. Real yields in developed countries rose 0.3 percent. INPRS Global ILBs portfolio declined 1.9 percent for the quarter; an overweight to longer duration U.S. TIPS was the main detractor.

For the third quarter, an uncharacteristically frigid winter that chilled the U.S. economy, weaker economic data in China, and geopolitical tension in the Middle East and Eastern Europe contributed to a bid for safe-haven assets. Real yields in developed countries fell 0.3 percent, with Canada leading the way. INPRS Global ILBs portfolio returned 2.2 percent for the quarter; an overweight to longer duration U.S TIPS and global ILBs were the main contributors.

For the fourth quarter, weakness in global economic data and continued geopolitical tension in the Middle East and Eastern Europe prompted the Fed to remain accommodative with its monetary policy and the European Central Bank to implement new stimuli. Real yields in developed countries fell 0.3 percent, with Australia leading the way. INPRS Global ILBs portfolio returned 3.9 percent for the quarter; an overweight to longer duration U.S. TIPS and global ILBs was the main contributor.

[1]*Investment performance is based on calculations made by the systems's custodian, BNY Mellon, and are time-weighted rates of return*
[2]*Global Inflation 70/30*

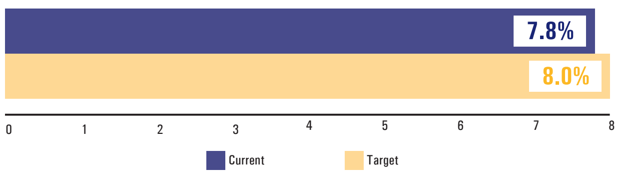
Asset Class Summary: Commodities

Market Value as of 6/30/2014	INPRS 1-Year[1] Net Performance	Custom Benchmark[2] 1-Year Performance
$1,913.4 Million	12.8%	11.9%

Portfolio Objective

The purpose of the commodity portfolio is to enhance long-term risk-adjusted returns by preserving investment capital and lowering overall volatility. The portfolio should also act as a hedge against unanticipated inflation. Commodity investments have historically delivered returns that are less correlated with equity and fixed income markets which may provide an opportunity to enhance returns and/or reduce volatility.

INPRS Allocation



Performance Attribution

The commodities portfolio one-year total return outperformed its benchmark by 0.9 percentage points. Commodities' total return is comprised of two components: 1) commodity futures return and 2) collateral return. The one-year return for each of these components was approximately 10.4 percent and 2.4 percent, respectively.

Market Overview

INPRS' commodity exposure is approximately equal to a 50/50 blend of the Dow Jones UBS Commodity Index and the S&P Goldman Sachs Commodity Index. For the fiscal year, the two indices returned 8.2 percent and 10.4 percent, respectively.

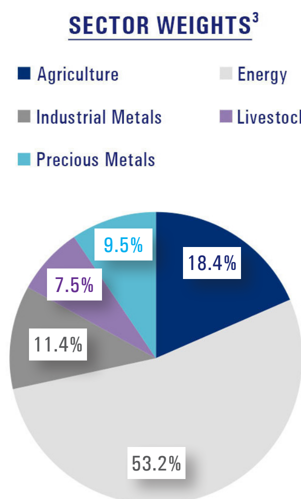
Commodity prices rallied in the first quarter, with the Dow Jones UBS Commodity Index and S&P GSCI Commodity Index climbing 2.1 percent and 4.8 percent, respectively. Most index components recorded gains during the quarter. WTI Crude Oil prices rose 6.0 percent, as total US Crude Oil inventories declined. Also of significant note for the quarter was the rise in precious metal prices. Gold and silver rallied from multi-year lows, with gold appreciating 8.4 percent and silver increasing 11.6 percent.

Commodities underperformed other major asset classes during the second quarter, with the Dow Jones UBS Commodity Index falling 1.1 percent. Gold and silver were among the hardest hit during the period, down 9.4 percent and 10.9 percent, respectively. An improved economic outlook and expectations of tapering relative to the Federal Reserve's long-running stimulus program seemed to weigh heavily on the precious metals.

Diversified commodity exposure experienced significant gains during the third quarter, with the Dow Jones UBS Commodity Index up nearly 7 percent for the period. The rally was led by the livestock and agriculture sectors. Within agriculture, corn, wheat and soybeans each produced double digit gains during the quarter.

Commodities delivered only modest gains during the fourth quarter. Losses in the agriculture sector were offset by gains within energy and metals. Nickel was a standout as it continued its price surge, appreciating almost 20 percent for the quarter and over 37 percent for the year. Livestock also rose significantly, with feeder cattle prices appreciating over 20 percent during the quarter, as the U.S. live cattle inventory reached its lowest level in over 60 years.

Portfolio Structure



[1]*Investment Returns are based on calculations made by the system's custodian, BNY Mellon, and are time-weighted rates of return.*
[2]*Custom Benchmark is a 50/50 blend of the DJ UBS Commodity Index and the Goldman Sachs Commodity Index. The collateral component is a 75/25 blend of Global ILB's and 90-day Treasury Bills, respectively.*
[3]*Approximate*

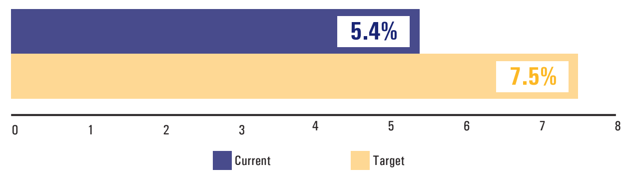
Asset Class Summary: Real Estate

Market Value as of 6/30/2014	INPRS 1-Year Net Performance[1]	NCREIF Open End Diversified Core Equity Index ("ODCE") 1-Year Performance
$1,338.0 Million	10.2%	12.7%

Portfolio Objective

The real estate portfolio is mostly comprised of investments in private real estate partnerships, and the underlying exposures are a mix of debt and equity holdings. The portfolio seeks to generate attractive risk-adjusted returns by providing stable current income and preserving investment capital. The portfolio should also reduce volatility by providing a hedge against inflation and through the diversification benefits provided by real estate investments.

INPRS Allocation



Performance Attribution

For fiscal year 2014, the real estate portfolio trailed its benchmark by 2.5 percentage points. INPRS' real estate debt portfolio accounted for all of the relative underperformance, as its real estate debt and equity portfolios returned 4.2 percent and 15.4 percent, respectively, for the period.

Market Overview

Commercial real estate continued to generate investor interest during the fiscal year. The rise in interest rates that occurred at the end of last fiscal year did not seem to have a significant impact on capitalization rates (i.e. yield on real estate investment property), as transaction volume and investor demand appeared to keep prices stable or moving higher.

For the first quarter, the ODCE returned 3.6 percent. According to the Federal Reserve's survey on bank lending practices, loan officers reported both loosening credit standards and stronger demand for commercial real estate loans. In conjunction with a more favorable lending market, commercial property sales volume increased 26 percent year-over-year in the first quarter. Industrial led the other major property types in the NCREIF Property Index, increasing 3.1 percent during the quarter.

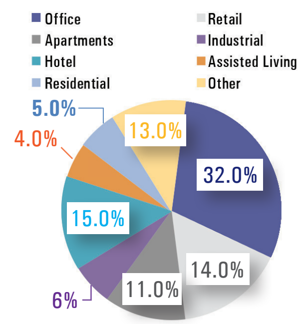
Positive economic growth and an ongoing recovery in real estate fundamentals continued to fuel investor demand during the second quarter. Industrial again outpaced the other major property types, returning 2.9 percent during the quarter. The ODCE had another strong performance, returning 3.2 percent during the quarter.

For the third quarter, the ODCE was up 2.5 percent. Retail and industrial were the top-performing property types, increasing 4.3 percent and 2.8 percent, respectively. Major cities ("gateway markets") remained the leader in transaction activity during the quarter; however, rising prices in these markets appeared to push some investors into primary and secondary real estate markets.

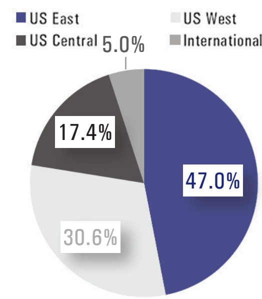
The ODCE finished the year with another strong quarter, up 2.9 percent. Retail, Industrial and Office each posted sizable gains, returning 3.2 percent, 3.3 percent and 2.9 percent, respectively. The fourth quarter proved to be the best quarter for Office performance during the year. Technology, energy and healthcare sectors were the biggest drivers for office demand, with Texas and west-coast markets appearing to be the biggest beneficiaries.

Portfolio Structure

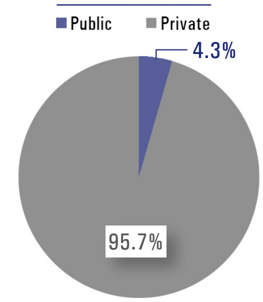
PROPERTY TYPE[2]



PROPERTY LOCATION



MARKET TYPE



[1]*Investment performance is based on calculations made by the system's custodian, BNY Mellon, and are time-weighted rates of return*
[2]*Estimated*

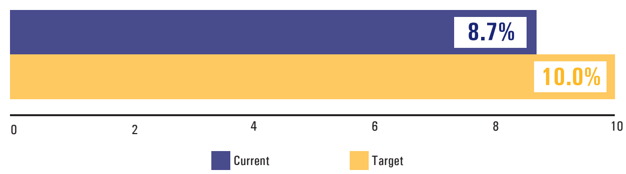
Asset Class Summary: Absolute Return

Market Value as of 6/30/2014	INPRS 1-Year Net Performance[1]	HFRI Custom[2]
$2,130.4 Million	10.3%	6.4%

Portfolio Objective

The purpose of the Absolute Return Strategies Program is to enhance the long-term risk adjusted returns by providing diversification benefits, preserving capital, and reducing volatility. Absolute Return Strategies generate returns by exploiting mispricing and inefficiencies in global capital markets, while attempting to reduce exposures to primary market factors (e.g., interest rates and equities) through various hedging techniques. These strategies have historically delivered returns that are less correlated with equity and fixed-income markets than traditional investment strategies. It is important to maintain an appropriate level of diversification among investment strategies in order to most effectively meet these stated objectives. At the end of the fiscal year, the Absolute Return portfolio comprised 20 managers pursuing various investment strategies.

INPRS Allocation



Performance Attribution

INPRS outperformed the HFRI Custom benchmark for the following reasons: 1) fund of funds managers with an overweight to event-driven strategies exceeded the HFRI Fund of Funds Composite Index by more than 500 bps; 2) the Tactical Trading book exceeded the HFRI Macro (Total) Index by more than 600 bps.

Market Overview

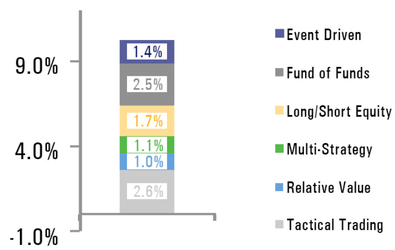
All strategy-level portfolios contributed positively to performance in an environment of slow global economic growth, ongoing accommodative monetary policy in the developed world, and improved fiscal stability in Europe.

Global equities and corporate credit generally performed strongly throughout the fiscal year. US equities performed best, followed by the U.K., Continental Europe, and emerging markets. Commodities had an uninspiring first half of the fiscal year, but recorded gains during the final two quarters of the fiscal year as a harsh winter drove both natural gas and crops higher, while geopolitical concerns resulted in increased crude oil prices. Global bonds continued to edge lower through the end of calendar year 2013, but reversed course during the second half of the fiscal year on the back of both growth concerns and rising geopolitical tensions.

Overall, Long/Short Equity and Event-Driven were the best performing strategies during this period with both posting double-digit gains. Conversely Tactical Trading strategies were the worst performers posting a modest 1.5 percent return for the fiscal year. Relative Value strategies returned 8.9 percent over the same period.

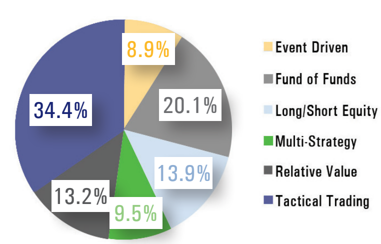
INPRS' fund-of-funds portfolio generated a rate of return of 12.8 percent for the fiscal year ending on June 30, 2014, outperforming the HFRI Fund of Funds Composite Index by nearly 5.0 percent due to an overweight position in Event-Driven strategies. INPRS' Tactical Trading portfolio returned 7.6 percent, significantly outperforming the HFRI Macro (Total) Index return of 1.5 percent.

Contribution to Performance by Strategy

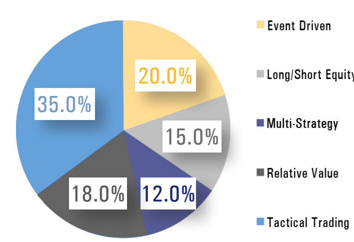


Portfolio Composition

FUND OF FUNDS – AGGREGATED



FUND OF FUNDS – LOOK-THROUGH[3]



[1] *Investment performance is based on calculations made by the systems custodian, BNY Mellon, and are time-weighted rates of return*
[2] *HFRI Custom benchmark is a weighted average of INPRS' exposure to representative HRFI sub-strategy indices*
[3] *May not total 100% due to transition cash balance*

Asset Class Summary: Risk Parity

Market Value as of 6/30/2014	INPRS 1-Year[1] Net Performance	Custom Benchmark[2] 1-Year Performance
$2,496.4 Million	16.7%	15.9%

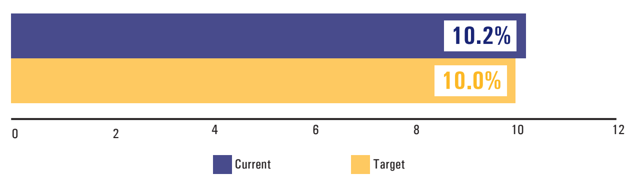
Portfolio Objective

The Risk Parity portfolio seeks to create risk balance that is capable of delivering consistent and high risk adjusted returns in several macro-economic environments. Unlike a traditional asset allocation that is highly dependent on positive equity returns, the Risk Parity portfolio is constructed to accrue various asset class risk premiums, including equity, without long-term dominance from any single asset class. As a result, the underperformance of a given asset class in a particular environment is expected to be offset by the outperformance of another asset with an opposing sensitivity to the environment.

The Risk Parity portfolio rests on the following key tenets:

1. Over a full market cycle, most asset classes carry a risk premium, and by investing in them, investors expect to earn a return higher than that offered by cash instruments.
2. The return of a particular asset class is proportional to its risk over long periods of time (i.e., different asset classes have similar Sharpe ratios).
3. True diversification goes beyond simple capital allocation and, instead, focuses on risk allocation.
4. The main drivers of returns are growth and inflation factors as well as changes in risk premiums; with certain asset classes performing better than others depending on the particular combination of such factors the economy is facing.

INPRS Allocation



Performance Attribution

A relevant passive market equivalent does not currently exist for the Risk Parity portfolio; therefore, we continue to use a traditional portfolio of 60 percent global equities and 40 percent global bonds ("60/40 portfolio") as a benchmark for long-term return and risk comparisons despite expectations of significant tracking error. For fiscal year 2014, the Risk Parity portfolio outperformed a 60/40 portfolio by 0.8 percent because the Risk Parity portfolio had smaller drawdowns, when they did occur throughout the year.

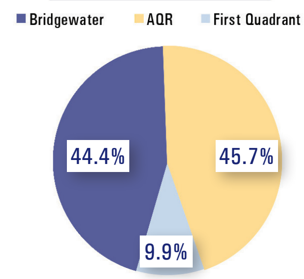
Market Overview

Driven by ample central bank liquidity across the globe, investors seemed to want to holding anything except the near zero return from cash in FY2014. While, growth and inflation came in roughly as discounted by markets to start the year, these conditions produced a favorable environment for each of the major asset classes to finish with positive returns with a minimal amount of volatility.

The only hint of substantial volatility, which was short-lived, occurred early in 2014. Global equities sold off by 3.7 percent in January amidst geopolitical and economic concerns. However, this time period gave a glimpse into the benefits of diversification as the Risk Parity portfolio, which consistently holds a diversified mix of asset classes, finished with a positive return of 0.7 percent (a 60/40 portfolio was down (1.7) percent).

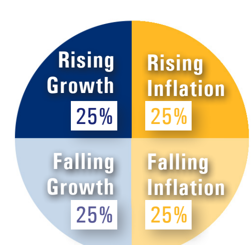
Portfolio Structure

MANAGER ALLOCATION



TARGET RISK ALLOCATION

Exposure to asset classes that perform well in the following economic environments



[1]*Investment performance is based on calculations made by the system's custodian, BNY Mellon, and are time-weighted rates of return.*
[2]*Comprised of 60% MSCI ACWI IMI Index (equities) & 40% Barclays Global Aggregate Bond Index (bonds).*

Historical Comparative Investment Results[1]
Fiscal Year Ended June 30, 2014
(percent return)[2]

		Annualized Time-Weighted Rates of Return		
	Percent of Portfolio	1-Year[3]	3-Year[3]	5-Year[3]
Total Consolidated Defined Benefit Assets	100.0%	13.7%	6.7 %	10.5 %
vs. BNY Mellon Public Universe Median[4]		17.1	10.2	13.1
Target Reference Index[5]		13.2	7.2	10.1
Total Domestic Equity	12.2	23.6	15.6	19.0
vs. BNY Mellon Public Universe Median		25.1	16.2	19.5
Russell 3000 Index		25.2	16.5	19.3
Total International Equity	11.5	21.3	6.1	11.6
vs. BNY Mellon Public Universe Median		22.4	7.5	12.9
MSCI ACWI ex U.S. IMI Net		22.3	5.9	11.5
Total Domestic Fixed Income	15.9	7.2	5.0	7.5
vs. BNY Mellon Public Universe Median		5.8	4.8	7.1
Barclays U.S. Aggregate Bond Index		4.4	3.7	4.9
Total International Fixed Income	5.2	3.6	(2.1)	1.2
vs. BNY Mellon Public Universe Median		8.6	3.5	7.7
Barclays Global Aggregate ex-USD (USDH)		5.6	5.0	4.4

[1]As the investment objectives and resulting portfolio construction of INPRS may differ from those in the listed peer universes, the most relevant evaluation of INPRS' performance will be against the investment imperatives outlined in the report from the Chief Investment Officer and the cited benchmarks for each asset class.
[2]Net of fees.
[3]Investment performance is based on calculations made by the system's custodian, BNY Mellon. The 1-year, 3-year, and 5-year performance returns are time-weighted rates of return based on the market rates of return.
[4]Universe of Public Funds.
[5]Benchmark history through December 31, 2011, represents composite returns for the legacy PERF and TRF dynamic policies and have been combined using dynamic market weights each month and are reported under the single Total Consolidated Defined Benefit Assets structure beginning January 1, 2012.

Ten-Year Time-Weighted Investment Rates of Return[1]

(dollars in millions)

Fiscal Year Ended June 30		Market Value of Assets	Rate of Return[2]	Actuarial Assumed Rate
2005	PERF CRIF[3]	$ 12,435.3	9.8 %	7.25 %
	TRF DB Assets [4]	4,041.0	9.1	7.50
2006	PERF CRIF	13,694.9	10.7	7.25
	TRF DB Assets	4,521.0	11.2	7.50
2007	PERF CRIF	16,114.3	18.2	7.25
	TRF DB Assets	5,501.0	17.9	7.50
2008	PERF CRIF	14,851.0	(7.6)	7.25
	TRF DB Assets	5,252.0	(6.0)	7.50
2009	PERF CRIF	11,795.1	(20.6)	7.25
	TRF DB Assets	4,236.0	(18.0)	7.50
2010	PERF CRIF	13,314.0	13.9	7.25
	TRF DB Assets	5,073.0	14.8	7.50
2011	PERF CRIF	15,796.6	20.1	7.00
	TRF DB Assets	5,984.0	18.2	7.00
2012	INPRS[5]	19,708.9	0.7	7.00
2013	INPRS	21,488.7	6.0	6.75
2014	INPRS	24,560.3	13.7	6.75

[1] Returns from 2005 - 2011 presented as previously reported; returns 2012 and thereafter are based on calculations made by the System's custodian, Bank of New York Mellon. All returns are time-weighted rates of return.
[2] Net of fees; 2005-2011 reported as Gross of fees.
[3] Public Employees' Retirement Fund Consolidated Retirement Investment Fund
[4] Teachers' Retirement Fund Defined Benefit Assets.
[5] INPRS Consolidated Defined Benefit Assets.

Statistical Performance
Fiscal Year Ended June 30, 2014

Statistic	1-Year	3-Years	5-Years	10-Years
Annualized Time-Weighted Rate of Return	13.73%	6.66%	10.51%	5.68%
Annualized Standard Deviation	3.30	6.15	6.88	9.72
Annualized Sharpe Ratio	3.92	1.07	1.48	0.46
Beta	0.31	0.45	0.47	0.62
Annualized Alpha	0.10	(0.77)	0.15	(0.25)
Correlation	0.85	0.88	0.91	0.93

Market proxy is the S&P 500.
Risk Free proxy is the Citigroup 3-month Treasury Bill.

Definition of Key Terms:

Standard Deviation: A statistic used to measure the dispersion in a distribution. Dispersion is measured relative to the mean, or average of the distribution. The greater the dispersion, the higher the risk associated with the pattern of observations. One standard deviation describes two-thirds of the observations in a normal, or bell-shaped distribution. In an asset allocation context, standard deviation is a conventional proxy for risk or volatility.

Sharpe Ratio: Ratio used to measure risk-adjusted performance. The Sharpe Ratio is calculated by subtracting a risk-free rate (proxy) from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns. The Sharpe Ratio provides insight on excess risk held in the portfolio. The greater a portfolio's Sharpe Ratio, the better its risk-adjusted performance has been. A negative Sharpe Ratio indicates that a risk-less asset would perform better than the security being analyzed.

Beta: A measure of the volatility, or systematic risk, of a security or portfolio in comparison to the market as a whole. Beta is the tendency of a security's return to respond to swings in the market. A Beta of less than one (1) indicates less volatility than the market. A Beta of greater than one (1) indicates greater volatility than the market.

Alpha: A measure of performance on a risk-adjusted basis. Alpha is the difference between the actual performance of the fund and the performance which should have been achieved given the market's performance and the fund's risk posture.

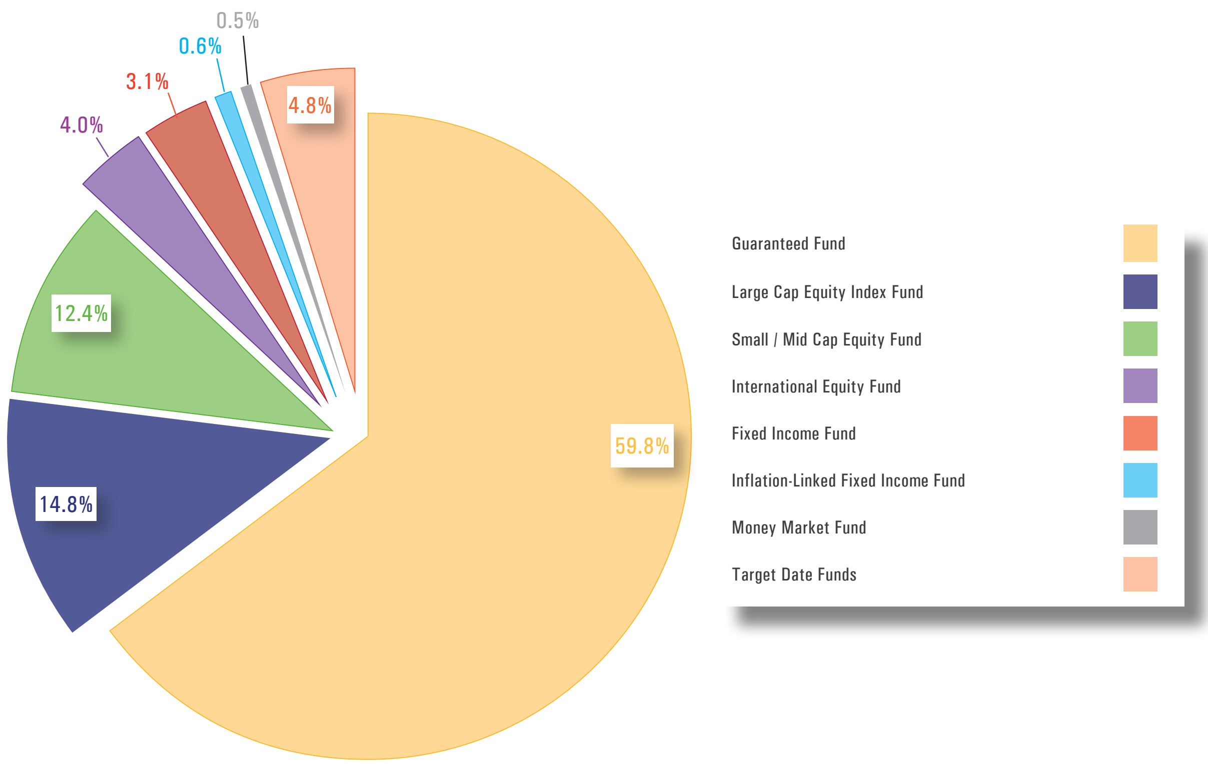
Correlation: A statistical measure of how two (2) securities move in relation to each other. A correlation of 1.0 indicates similar magnitude and direction of change. A correlation of negative (1.0) indicates similar magnitude, but opposite direction. A correlation of zero indicates the relationship is purely random. Often, the correlation is squared and known as ***R-squared*** or the ***Coefficient of the Correlation.***

Assets by Investment Option
Fiscal Year Ended June 30, 2014

(dollars in millions)

Investment Option	ASA & LEDC Plan Assets[1]	Percent of Self-Directed Investments
Guaranteed Fund	$ 3,403.9	59.8%
Large Cap Equity Index Fund	838.9	14.8
Small / Mid Cap Equity Fund	705.4	12.4
International Equity Fund	229.8	4.0
Fixed Income Fund	176.0	3.1
Inflation-Linked Fixed Income Fund	35.5	0.6
Money Market Fund	26.6	0.5
Stable Value Fund	1.8	-
Target Date Funds[2]	271.7	4.8
Total ASA and LEDC Plan Assets[3]	**$ 5,689.6**	**100.0%**

[1]Assets include all PERF, TRF Pre-1996, and TRF 1996 ASA assets and the LEDC Plan account balances allocated outside of the Consolidated Defined Benefit Assets option.
[2]Consolidated market values of all Target Date Funds.
[3]Includes Investment and Foreign Exchange Contracts Receivables, Interest and Dividends Receivable, Investments and Foreign Exchange Contracts Payable, and Obligations Under Reverse Repurchase Agreements.



Historical Annualized Rate of Return by Investment Option vs. Benchmark Returns Fiscal Year Ended June 30, 2014

(percent return)[1]

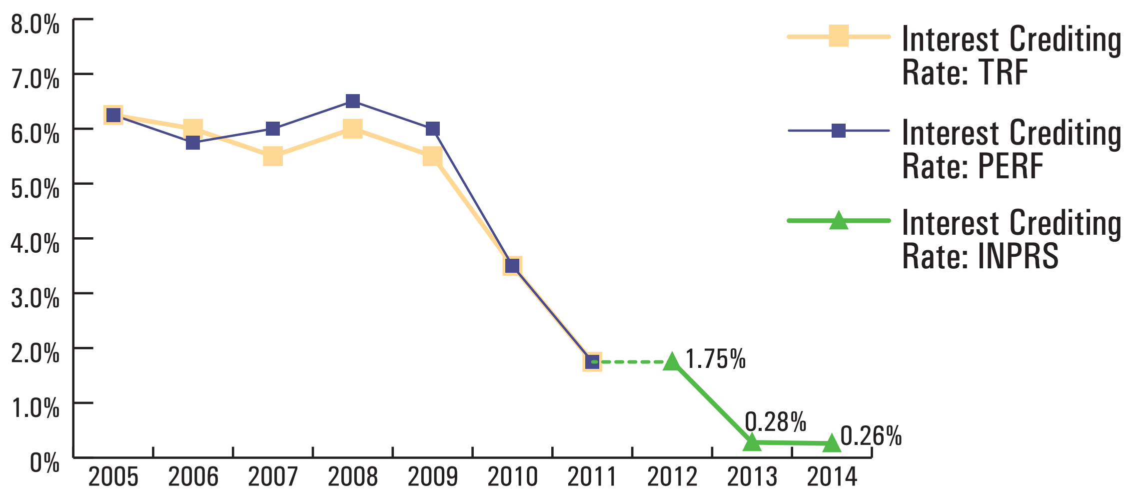
Investment Option	1-Year[2]	3-Year[2]	5-Year[2]
Guaranteed Fund	0.26 %	0.74%	1.53%
Large Cap Equity Index Fund	24.6	16.6	18.9
S&P 500 Index	24.6	16.6	18.8
Small / Mid Cap Equity Fund	26.1	15.2	21.4
Russell Small Cap Completeness Index	27.4	15.8	21.6
International Equity Fund	22.1	6.0	11.6
MSCI ACWI ex US Index	21.8	5.7	11.1
Fixed Income Fund	5.2	4.6	5.7
Barclays U.S. Aggregate Bond Index	4.4	3.7	4.9
Inflation-Linked Fixed Income Fund	4.4	3.7	5.5
Barclays U.S. TIPS Index	4.4	3.6	5.6
Money Market Fund	0.1	0.1	0.1
Citigroup 3-Month T-Bill Index	0.0	0.1	0.1
Stable Value Fund[3]	3.8	3.2	3.4
Citigroup 3-Month T-Bill Index	0.0	0.1	0.1
Target Date Funds[4]:			
Retirement Fund	6.4	4.6	6.2
Retirement Fund Index	5.1	3.5	4.9
Retirement Fund 2015	7.3	5.0	7.2
2015 Fund Index	6.2	4.1	6.0
Retirement Fund 2020	9.3	5.8	8.4
2020 Fund Index	8.4	5.1	7.5
Retirement Fund 2025	11.7	6.7	9.9
2025 Fund Index	11.1	6.2	9.2
Retirement Fund 2030	15.0	7.7	11.5
2030 Fund Index	14.6	7.4	11.0
Retirement Fund 2035	17.3	8.6	12.3
2035 Fund Index	16.9	8.3	11.8
Retirement Fund 2040	17.7	8.7	12.4
2040 Fund Index	17.4	8.5	11.9
Retirement Fund 2045	17.7	8.7	12.5
2045 Fund Index	17.4	8.5	11.9
Retirement Fund 2050	17.7	8.7	12.5
2050 Fund Index	17.4	8.5	11.9
Retirement Fund 2055	17.7	8.7	12.5
2055 Fund Index	17.4	8.5	11.9

[1]Net of fees.
[2]Based on performance calculations made by the system's recordkeeper, Xerox.
The 1-year, 3-year, and 5-year performance returns are time-weighted rates of return for the for the fiscal year ended June 30, 2014. Prior to July 30, 2010, all data presented (excluding the Guaranteed Fund) is calculated from manager composite performance. After July 30, 2010, all performance presented consists of actual investment returns experienced by members.
[3]Investment Fund Option in the Legislators' Defined Contribution Plan and Public Employees' Retirement Fund ASA Only Plan.
[4]Target Date Fund benchmarks are comprised of performance data using a passive strategy with the same asset allocation of each Target Date Fund.

Annuity Savings Accounts
Ten-Year Guaranteed Fund Interest Crediting Rates

	Interest Crediting Rate		
Fiscal Year	INPRS	PERF	TRF
2005	N/A	6.25%	6.25%
2006	N/A	5.75	6.00
2007	N/A	6.00	5.50
2008	N/A	6.50	6.00
2009	N/A	6.00	5.50
2010	N/A	3.50	3.50
2011	N/A	1.75	1.75
2012[1]	1.75%	N/A	N/A
2013	0.28	N/A	N/A
2014	0.26	N/A	N/A

[1] Guaranteed Fund assets of PERF, TRF Pre-1996 and TRF 1996 were unitized as of January 1, 2012.



Top Ten Equity Holdings
Fiscal Year Ended June 30, 2014
(by Market Value)[1]

(dollars in thousands)

Company	Shares	Market Value
Apple Inc.	590,236	$ 54,851
Microsoft Corp.	1,255,348	52,348
Exxon Mobil Corp.	397,734	40,044
Nestle SA	426,802	33,064
Novartis	359,115	32,518
Johnson & Johnson	305,522	31,964
Total SA EUR2.5	411,078	29,706
Qualcomm Inc.	373,905	29,613
Visa Inc.	136,098	28,677
Wells Fargo & Co.	544,285	28,608

[1]A complete list of portfolio holdings is available upon request.

Top Ten Fixed Income Holdings
Fiscal Year Ended June 30, 2014
(by Market Value)[1]

(dollars in thousands)

Description	Coupon Rate	Maturity Date	Par Value	Market Value
U.S. Treasury Bond	3.625%	2/15/44	$ 207,325	$ 218,793
U.S. Treasury – CPI Inflation Index Bond	0.125	4/15/18	192,171	198,507
U.S. Treasury Note	2.500	5/15/24	193,785	193,513
U.S. Treasury – CPI Inflation Index Bond	0.625	1/15/24	178,565	185,038
U.S. Treasury Note	0.125	4/30/15	175,365	175,399
U.S. Treasury – CPI Inflation Index Bond	0.375	7/15/23	138,367	141,047
U.S. Treasury – CPI Inflation Index Bond	0.125	1/15/23	137,950	137,476
U.S. Treasury – CPI Inflation Index Bond	0.125	1/15/22	136,152	137,056
U.S. Treasury – CPI Inflation Index Bond	0.125	4/15/17	131,081	135,587
U.S. Treasury – CPI Inflation Index Bond	0.125	4/15/16	122,641	125,860

[1]A complete list of portfolio holdings is available upon request.

Top Ten Brokers' Commission Fees
Fiscal Year Ended June 30, 2014

(dollars in thousands)

Broker	Amount Paid in Fees
Morgan Stanley & Co. Inc.	$ 442
Newedge USA LLC	262
Goldman Sachs & Co.	243
Credit Suisse, New York	124
Instinet Corp., New York	123
JonesTrading Institutional Services	99
UBS Securities LLC	87
Instinet Europe Limited	84
Merrill Lynch International	72
Broadcourt Capital	65
"Top Ten" Brokers' Commission Fees	1,601
Other Brokers	1,862
Total Brokers' Commission Fees	**$ 3,463**

Investment Management Fees by Asset Class
Fiscal Year Ended June 30, 2014

(dollars in thousands)

Asset Class	Investment Management Fees
Consolidated Defined Benefit Assets	
Public Equity	$ 18,683
Private Equity	46,157
Fixed Income – Ex Inflation-Linked	11,057
Fixed Income – Inflation-Linked	5,740
Commodities	7,377
Real Estate	10,611
Absolute Return	61,650
Risk Parity	6,785
Total Consolidated Defined Benefit Assets	168,060
Annuity Savings Account Assets	4,775
Total Investment Management Fees	**$ 172,835**

Fiscal Year Ended June 30, 2014

Consolidated Defined Benefit Assets

Custodian

Bank of New York Mellon

Consultants

Aksia (Absolute Return)
ORG Real Property (Real Estate)
Strategic Investment Solutions
(General: Defined Benefit)
Torrey Cove Capital Partners (Private Equity)

Public Equity

Altrinsic Global Advisors, LLC
Arrowstreet Capital, LP
Artisan Partners Limited Partnership
Baillie Gifford & Company
Barrow Hanley
BlackRock Institutional Trust
Columbus Circle Investors
Jackson Square Partners
DePrince Race & Zollo
Disciplined Growth Investors
Earnest Partners, LLC
Gryphon
JP Morgan
Leading Edge Investment Advisors
Mondrian Investment Partners, Inc.
Rhumbline Advisers
Schroders
Times Square Capital Management, LLC

Private Equity

A.M. Pappas & Associates, LLC
ABRY Partners, LLC
Accel Partners
Accent Equity Partners AB
Actis Capital, LLP
Advanced Technology Ventures
Advent International Corp.
Aisling Capital
American Securities Capital Partners, LP
AnaCap Financial Partners, LLP
Apax Partners
Apollo Advisors, LP
ARCH Venture Partners
Ares Management, LLC
Austin Ventures
Avenue
Bain Capital, Inc.
Bay Partners
Bertram Capital
Black Diamond Capital Management, LLC
BPEP International
Brentwood Associates
Caltius Mezzanine
Candover Partners, Ltd.
Cardinal Partners
Carlye Solutions Group
Catterton Partners
Centerfield Capital Partners
Century Park Capital Partners
Cerberus Capital Management, LLC
Charterhouse Group International, Inc.
CID Capital
Cinven
Close Brothers Private Equity, Ltd.
Code Hennessy & Simmons, LLC
Coller Capital
Columbia Capital, LLC
Court Square Capital Partners
Credit Suisse First Boston
Crescent Capital
Crestview Capital Funds
CVC Capital Partners
Doll Capital Management
Elevation Associates, LP
EnCap Investments, LP
Energy Capital Partners
Enhanced Capital Partners
Escalate Capital Partners
Falcon Strategic Partners
First Reserve Corporation
Forbion Capital Partners
Fortress Investment Group, LLC
Gilde Buy Out Partners
Globespan Capital Partners

Fiscal Year Ended June 30, 2014

Consolidated Defined Benefit Assets

Private Equity, cont.

Green Equity Partners
GSO Capital Partners, LP
GTCR Golder Rauner, LLC
H2 Equity Partners BV
Hammond Kennedy Whitney & Co
Hellman & Friedman, LLC
Herkules Capital
High Road Capital Partners
Horsley Bridge
Insight Venture Partners
Institutional Venture Management, LLC
JFM Management, Inc.
Kailai Investments
Khosla Ventures
KPS Special Situations Funds
Landmark Partners, Inc.
Lexington Capital Partners
Lightyear Capital, LLC
Lindsay Goldberg
Lion Capital
MBK Partners, GP, LP
Merit Capital Partners
Mill Road Capital
Natural Gas Partners
Neovara
Neuberger Berman
New Enterprise Associates
New Mountain Partners
Oak Hill Advisors, LP
Oak Hill Capital Management, LLC
Oak Investment Partners
Oaktree Capital Management, LLC
Opus Capital
Panda Power Generation Infrastructure Fund, GP
PCP Managers, LLC
Peninsula Capital Partners, LLC
Permira Holdings Limited
Platinum Equity, LLC
Rho Capital Partners, Inc.
RJD Partners Limited
SAIF Partners
Sankaty Credit Opportunities
Scale Management
Silver Cup
Silver Lake Partners, LLC
SPC Capital Management
StepStone Group, LLC
Sun Capital Partners, Inc.
TA Associates
TCW/Crescent Mezzanine Partners
Technology Crossover Ventures
Technology Partners Management, LLC
Texas Pacific Group
The Blackstone Group
The Jordan Company
TowerBrook Investors GP
Trilantic Capital Partners
Trinity Ventures
Triton Partners
True Ventures
TSG6 Management, LLC
Veritas Capital
Veronis Suhler Stevenson
Vestar Capital Partners, Inc.
Vintage Venture Partners
Vision Capital, LLP
Vista Equity Partners
Walden Group of Venture Capital Funds
Warburg Pincus, LLC
Wayzata Investment Partners, LLC
Weston Presido Capital Management
White Deer Energy
Windjammer Capital Investors
WL Ross & Company, LLC
Xenon Private Equity
York Capital Management

Fixed Income – Ex Inflation Linked

Alliance Capital
Goldman Sachs Asset Management, LP
Income Research + Management
Loomis Sayles & Company, LP
Pacific Investment Management Company (PIMCO)

Fiscal Year Ended June 30, 2014

Fixed Income – Ex Inflation Linked, cont.

Reams Asset Management
Stone Harbor
TCW
Northern Trust Global Investments
Wellington

Fixed Income – Inflation Linked

BlackRock Financial Management
Bridgewater Associates, Inc.
Northern Trust Global Investments

Consolidated Defined Benefit Assets

Commodities

CoreCommodity Management
Goldman Sachs Asset Management, LP
Gresham Investment Management, LLC

Real Estate

Blackstone Real Estate Partners
Colony Capital, LLC
European Investors, Inc.
Greenfield Partners, LLC
H/2 Capital Partners
Harrison Street Real Estate Capital, LLC
House Investments
JDM Partners
LaSalle Investment Management
Lone Star Funds
Mesa West Capital
Prima Capital Advisors, LLC
Stockbridge Capital Group
TA Realty Associates
Walton Street Capital, LLC
WestRiver Capital, LLC

Absolute Return

Blackstone Alternative Asset Management (BAAM)
Blackstone Tactical Opportunities Advisors
BlueCrest Capital Management
Brevan Howard Asset Management
Bridgewater Associates, Inc.
Brigade Capital Management
Davidson Kempner Capital Management
D.E. Shaw Multi-Asset Manager
Emerging Sovereign Group
Highfields Capital Management
Ionic Capital Management
Kepos Capital
King Street Capital Management
MKP Capital Management
Oxford Asset Management
Pacific Alternative Asset Management Company (PAAMCO)
Perella Weinberg Partners
Pharo Global Advisors
Two Sigma Advisers
Viking Global Investors

Risk Parity

AQR Capital Management
Bridgewater Associates, Inc
First Quadrant

Fiscal Year Ended June 30, 2014

Annuity Savings Account & Legislators' Defined Contribution Plan Assets

Public Employees' Retirement Fund (PERF)
Teachers' Retirement Fund Pre-1996 Account (TRF Pre-1996)
Teachers' Retirement Fund 1996 Account (TRF 1996)
Legislators' Defined Contribution Plan (LEDC Plan)

Consultant

Cap Cities (General: Defined Contribution)

Large Cap Equity Index Fund

BlackRock Institutional Trust

Small/Mid Cap Equity Fund

CS McKee
Loomis Sayles & Company
Rhumbline Advisers

International Equity Fund

Baillie Gifford & Company
BlackRock Institutional Trust
Dimensional Fund Advisors
Earnest Partners

Fixed Income Fund

Loomis Sayles & Company
Northern Trust Global Investments
Pacific Investment Management Company (PIMCO)

Inflation-Linked Fixed Income Fund

BlackRock Institutional Trust

Money Market Fund

Bank of New York Mellon

Guaranteed Fund

Logan Circle
Reams Asset Management
State Street Global Advisors

Stable Value Fund (PERF ASA Only & Legislators' Plans only)

Galliard Capital Management

Pension Relief Fund

Bank of New York Mellon

Special Death Funds

PNC Institutional Investments